SWITZERLAND

TRADE SUMMARY

In 1999, the U.S. trade deficit with Switzerland was $1.2 billion, a decrease of $193 million from the U.S. trade deficit of 1.4 billion in 1998. U.S. merchandise exports to Switzerland were $8.4 billion, an increase of $1.1 billion (15.4 percent) from the level of U.S. exports to Switzerland in 1998. Switzerland was the United States' 18th largest export market in 1999. U.S. imports from Switzerland were $9.6 billion in 1999, an increase of $920 million (10.6 percent) from the level of imports in 1998. The stock of U.S. foreign direct investment (FDI) in Switzerland at the end of 1998 was $37.6 billion, an increase of 19.7 percent from the level a year earlier. U.S. FDI in Switzerland is concentrated largely in the financial, wholesale, and manufacturing sectors.

IMPORT POLICIES

According to the Organization for Economic Cooperation and Development (OECD), Swiss farmers are one of the most highly protected producer groups in the world. Switzerland is self-sufficient in pork, dairy and other agricultural commodities but imports approximately $6 billion worth of agricultural products annually, accounting for over 40 percent of total food consumption. The U.S. share of the agricultural import market is about five percent, which makes the U.S. the sixth most important exporter of agricultural goods to Switzerland and the largest outside the EU.

Switzerland is a relatively difficult market for many U.S. products to enter because of the high tariffs on certain agricultural products and preferential tariff rates for other countries, such as members of the European Union. It is not clear if these special tariff rates fully conform to World Trade Organization (WTO) rules, since numerous agricultural products are excluded from the arrangements. It is particularly difficult to export pre-packaged food products because of the Swiss customs practice of charging tariffs on the gross weight of imports (because the weight of the package is included in the tariff).

Administration of agricultural tariff-rate quotas has also presented problems for U.S. exports, since Swiss regulations often allocate the quotas to importers that purchase domestic products. This requirement has increased the level of protection for domestic producers and in some cases, (such as potato products), has meant that it was not possible for U.S. exporters to ship under the tariff-rate quotas.

Food and agriculture represent the only sector where government policies have any significant impact on American products being imported into the country.

If the above impediments in the agriculture sector were removed, U.S. industries estimate that U.S. exports would increase by more than $25 million.

STANDARDS, TESTING, LABELING AND CERTIFICATION

In general, Swiss standards and labeling requirements do not present a significant hardship for U.S. companies.

In recent years, genetically engineered food products from the U.S., such as genetically modified corn and soybeans, are facing increased obstacles, such as relatively slow approval processes and increasing opposition from Swiss consumer groups and retail organizations. In June 1998, Swiss voters defeated a referendum to ban biotechnology research and release of biotechnology products into the environment, in part due to concerns about the impact of this proposal on medical research. Nonetheless, biotechnology products are becoming increasingly controversial.

Approval of products containing genetically modified organisms (GMOs) has generally been slower than in the United States, a situation which has caused products approved elsewhere to be banned in Switzerland pending such approval. Once approved, food products containing GMOs are subject to strict labeling requirements.

In addition, a new law that took effect on January 1, 2000, stipulating that imports of fresh meat and eggs from abroad that are produced in a manner not permitted in Switzerland must be clearly labeled as such. Methods not allowed in Switzerland include the use of hormones, antibiotics and other antimicrobial substances in the raising of beef and pork. The law also requires the labeling of eggs produced by chickens kept in certain types of battery cages.

GOVERNMENT PROCUREMENT

On the federal level, Switzerland is a signatory of the WTO government procurement agreement and fully complies with WTO rules concerning public procurement. On the cantonal and local levels, a law passed by the parliament in 1995 provides for nondiscriminatory access to public procurement. The United States and Switzerland reached agreement in 1996 on a text which expands the scope of public procurement access on a bilateral basis.

EXPORT SUBSIDIES

Switzerland's only subsidized exports are in the agricultural sector, where exports of dairy products (primarily cheese) and processed food products (chocolates, grain-based bakery products, etc.) benefit from state subsidies. Switzerland is gradually reducing export subsidies as required under World Trade Organization (WTO) rules. The Swiss government has negotiated, but not yet ratified, an agreement with the European Union according to which neither side will subsidize dairy product exports to the other. This may motivate Switzerland to increase subsidized dairy exports to non-European destinations.

SERVICES BARRIERS

Switzerland's services regime appears to be as open as any in Western Europe. The telecommunications market, for example, has for the most part been fully liberalized, and U.S. firms have established a significant presence in Switzerland. In 1998, a U.S. firm (as part of an international consortium) won one of the three government licenses to provide cellular telephone services.

In contrast to the EU's broadcast directive, Switzerland's guidelines do not set specific limitations on the amount of non-Swiss or non-European origin programming that can be broadcast or shown in theaters. The government reserves the right, however, to require that broadcasters or cinema companies use a certain minimal share of Swiss production "if deemed necessary to maintain the diversity of supply".

Switzerland does maintain some restrictions on legal services. Foreign lawyers cannot provide legal consultancy services nor legal advice on foreign or international law without being licensed in the practice of Swiss law; and foreign lawyers may not form partnerships with local lawyers without being licensed under local law.

INVESTMENT BARRIERS

The Swiss welcome foreign investment and accord it national treatment. Foreign investment is neither actively encouraged nor hampered by any significant barriers. The federal government confines itself to creating and maintaining the general conditions that are favorable both to Swiss and foreign investors. Such factors include economic and political stability, a firmly established legal system, extensive and reliable infrastructure, and efficient capital markets.

ANTI-COMPETITIVE PRACTICES

There has been a very high degree of cartelization in the Swiss economy. A new law came into force in July 1, 1996, that deals much more harshly with cartels and similar associations than did the previous law. While cartels will still be permitted under certain limited circumstances, it should now be much more difficult for companies to justify to the authorities their continuation. It is too early to judge, however, how quickly or extensively the cartel situation in Switzerland will change. The existence of cartels likely has only a very limited impact on U.S. exports to Switzerland. This is because the sectors of highest cartel concentration have been in the trades, (i.e., construction plumbing/electricians) and in distribution – sectors where there has been minimal U.S. commercial activity.

ELECTRONIC COMMERCE

The proportion of Swiss using computers and the Internet is high and the government generally supports promoting the evolution of electronic commerce with a minimum of regulatory interference. A number of U.S. firms providing Internet access are active in the Swiss market.

Switzerland is following the EU lead with respect to Internet privacy issues. Swiss law stipulates that personal data may not pass to a foreign country if that country does not offer an adequate level of data protection.